

HINTON TOWNSHIP
MECOSTA COUNTY, MICHIGAN
AUDIT REPORT
MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HINTON TOWNSHIP	County MECOSTA
Audit Date 3/31/05	Opinion Date 6/17/05	Date Accountant Report Submitted to State: 8/8/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Terry Kirkpatrick, CPA, P.C.			
Street Address 211 MAPLE STREET	City BIG RAPIDS	State MI	ZIP 49307
Accountant Signature 		Date 8-8-05	

CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1
Basic Financial Statements	
Government-wide Financial Statements	2
Statement of Net Assets	3
Statement of Activities	
Governmental Fund Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Fiduciary Fund	
Statement of Net Assets	7
Notes to Financial Statements	8-11
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	12

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Independent Auditor's Report

To the Township Board
Hinton Township, Mecosta County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hinton Township, Mecosta County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise Hinton Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Hinton Township, Mecosta County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hinton Township, Mecosta County, Michigan, as of March 31, 2005, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Hinton Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2005. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hinton Township, Mecosta County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
June 17, 2005

BASIC FINANCIAL STATEMENTS

Hinton Township – Mecosta County, Michigan

Government Wide Statement of Net Assets

March 31, 2005

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 185,643
Tax Receivable	2,107
Due from Current Tax Fund	2,316
Capital Assets (Net)	<u>24,500</u>
Total assets	<u>\$ 214,566</u>
LIABILITIES	
Payroll Tax Payable	\$ 199
NET ASSETS	
Invested in capital assets, net of related debt	24,500
Unrestricted	<u>189,867</u>
Total net assets	<u>214,367</u>
Total liabilities and net assets	<u>\$ 214,566</u>

The "Notes to Financial Statements" are an integral part of these statements.

Hinton Township – Mecosta County, Michigan
Government Wide Statement of Activities
For the Year Ended March 31, 2005

	Expenses	Program Revenues Charges for Services	Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
PRIMARY GOVERNMENT				
General Government	\$ 49,491	\$ 2,325	\$ 0	\$ (47,166)
Public Safety	18,169	0	0	(18,169)
Public Works	832	0	0	(832)
Cultural and Recreation	11,133	0	0	(11,133)
Other Functions	6,375	0	0	(6,375)
Depreciation (unallocated)	875	0	0	(875)
Total primary government	\$ 86,875	\$ 2,325	\$ 0	\$ (84,550)

General Revenues	26,325
Tax	70,799
State Grants	4,901
Interest Earnings	5,732
Other Revenue	107,757
Total general revenues	23,207
Change in Net Assets	191,160
Net assets - Beginning of year	\$ 214,367
Net assets - End of year	

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Hinton Township – Mecosta County, Michigan
Governmental Fund Balance Sheet
March 31, 2005

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 185,643
Taxes Receivable	2,107
Due from Current Tax Fund	2,316
Total assets	<u>\$ 190,066</u>
LIABILITIES AND FUND EQUITY	
Payroll Tax Payable	\$ 199
Fund Balance - Unreserved and Undesignated	189,867
Total liabilities and fund equity	<u>\$ 190,066</u>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	
Total Governmental Fund Balances	\$ 189,867
Amounts reported for governmental activities in the statement of net assets are different because:	
Cost of capital assets, net of depreciation	<u>24,500</u>
Net assets of governmental activities	<u>\$ 214,367</u>

The "Notes to Financial Statements" are an integral part of these statements.

Hinton Township – Mecosta County, Michigan

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended March 31, 2005

	General Fund
REVENUES	
Taxes	\$ 26,325
State Grants	70,799
Charges for Services	2,325
Interest and Rents	4,901
Other Revenue	5,732
Total revenues	<u>110,082</u>
EXPENDITURES	
General Government	49,491
Public Safety	18,169
Public Works	832
Cultural and Recreation	11,133
Other Functions	6,375
Total expenditures	<u>86,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,082
Fund Balance - April 1, 2004	165,785
Fund Balance - March 31, 2005	<u>\$ 189,867</u>

The "Notes to Financial Statements" are an integral part of these statements.

Hinton Township – Mecosta County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2005

Net Change in Fund Balances - Total Government Funds	\$ 24,082
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is capital outlay for the year.	0
Depreciation expense	(875)
Change in Net Assets of Governmental Activities	\$ 23,207

The "Notes to Financial Statements" are an integrated part of these statements.

Hinton Township – Mecosta County, Michigan

Fiduciary Fund
Statement of Net Assets
March 31, 2005

Agency Fund Type
Property Tax Collection Fund

ASSETS

Cash and Cash Equivalents

\$ 2,316

LIABILITIES

Due to General Fund

\$ 2,316

The "Notes to Financial Statements" are an integrated part of these statements.

NOTES TO FINANCIAL STATEMENTS

Hinton Township – Mecosta County, Michigan

Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hinton Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Hinton Township:

Reporting Entity

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Hinton Township's property tax is levied on each December 1st on the taxable valuation of property located within Hinton Township as of the preceding December 31st.

Hinton Township – Mecosta County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2005

Although the Hinton Township 2004 ad valorem tax is levied and collectible on December 1, 2004, it is Hinton Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2004 taxable valuation of Hinton Township totaled approximately \$24,325,000, on which ad valorem taxes levied consisted of 1.0 mills for the Township operating purposes. These amounts are recognized in the General Fund financial statements as Tax Receivable and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

Additionally, the Township reports the following fund types:

The Township reports a Fiduciary Fund (Agency Fund). This fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and are considered delinquent on March 1st of the following year, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 years
Building Improvements	15 to 30 years
Equipment	5 to 10 years
Computer Equipment	3 to 7 years

Hinton Township – Mecosta County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2005

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 185,643

The bank balance of the primary government's deposits is \$198,929, of which \$168,275 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	General
Taxes receivable	\$ 2,107

Hinton Township – Mecosta County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Buildings	\$ 35,000	\$ 0	\$ 0	\$ 35,000
Less: accumulated depreciation for Capital assets	(9,625)	(875)		(10,500)
Net capital assets	\$ 25,375	\$ (875)	\$ 0	\$ 24,500

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE F – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Hinton Township – Mecosta County, Michigan

Budgetary Comparison Schedule

General Fund

For the Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
BEGINNING OF YEAR FUND BALANCE	\$ 165,785	\$ 165,785	\$ 165,785	\$ 0
Resources (inflows)				
Property Tax	22,326	22,326	26,325	3,999
State Grants	70,000	70,000	70,799	799
Charges for Services	2,201	2,201	2,325	124
Interest and Rents	2,175	2,175	4,901	2,726
Other Revenue	2,400	2,400	5,732	3,332
Amounts Available for Appropriation	264,887	264,887	275,867	10,980
Charges to Appropriations (outflows)				
General Government				
Township board	5,720	5,720	5,710	10
Supervisor	5,200	5,200	5,200	0
Elections	1,500	1,500	1,556	(56)
Assessor	9,858	9,858	9,618	240
Clerk	5,988	5,988	6,116	(128)
Board of review	1,075	1,075	1,010	65
Treasurer	9,188	9,188	8,872	316
Townhall	6,100	6,100	4,540	1,560
Cemetery	7,300	7,300	6,869	431
Public Safety				
Fire protection	18,003	18,003	18,169	(166)
Public Works				
Highways, streets & bridges	30,000	30,000	0	30,000
Street lighting	1,200	1,200	832	368
Drains- Public Benefit	2,500	2,500	0	2,500
Cultural and Recreation				
Library	11,133	11,133	11,133	0
Other Functions				
Insurance	4,000	4,000	3,622	378
Pension	2,500	2,500	2,413	87
Social security/ medicare tax	600	600	340	260
Total Charges to Appropriations	121,865	121,865	86,000	35,865
Budgetary Fund Balance - March 31, 2005	\$ 143,022	\$ 143,022	\$ 189,867	\$ 46,845

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CERTIFIED PUBLIC ACCOUNTANT

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June 17, 2005

Members of the Township Board
Hinton Township
Mecosta County, Michigan

I have recently completed the audit of the basic financial statements of Hinton Township for its year ended March 31, 2005. During this audit, I had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of these auditing procedures, there are some comments I want to present.

TAX PAYMENTS TO OUTSIDE ENTITIES

The Tax Collection Fund should normally issue a check to the other taxing units every two weeks at a minimum. This past year the 2004 winter tax was only remitted to the other units in March of 2005. If that is not done, the other units of government could require the Township to pay interest to them.

BUDGET MUST BE ADOPTED PRIOR TO START OF FISCAL YEAR

According to the minutes of the Township Board meetings, the FY 2004-05 budget was not approved until May 4, 2004. The budget is required to be in place prior to the start of the fiscal year, or prior to incurring any expenditure in the current fiscal year.

OTHER MATTERS

I want to thank your personnel for the courtesy and cooperation shown to me by them during the audit.

I have sent the necessary copies of the audit report, the audit procedures report, and this letter to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact me at your convenience.

Terry Kirkpatrick, CPA, P.C.